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NEWSPAPER

Sandwich chains get smart, light

Focus section follows page 34

Beard Foundation honors Peterson in NY

Story and pictures/Page F12

Cadillac, Chevy's fight 'bar to bar'

West Coast Report/Page 22

Nation's Restaurant News®

The Weekly Newspaper of the Food-Service Industry

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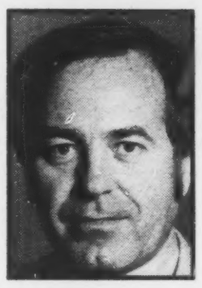
JB's quits Big Boy

Strikes out on own in wake of Marriott

By Peter J. Romeo

SALT LAKE CITY — In a major setback for the 914-unit Big Boy coffee shop chain, JB's Restaurants, a 107-store franchisee here, is pulling out of the system to compete under its own name.

As JB's began tearing down Big Boy signs, the turbulent coffee shop segment was rife with reports that Marriott Corp. was about to start the transformation of its 208 Big Boys to a new concept possibly to be called Allie's, after the conglomerate's co-founder, Alice "Allie" Marriott.



Jones

A Marriott spokesman would not confirm those reports but noted that "we've said all along that we are developing a new family restaurant concept. We should be at the point where we can test it sometime later this year."

"Instead of a national chain with a few thousand units, Big Boy is becoming a chain in the 500-unit range,"

*(See **JB's**, page 102)*

BIG BOY: WHO'S IN, WHO'S OUT

EXITING OPERATORS

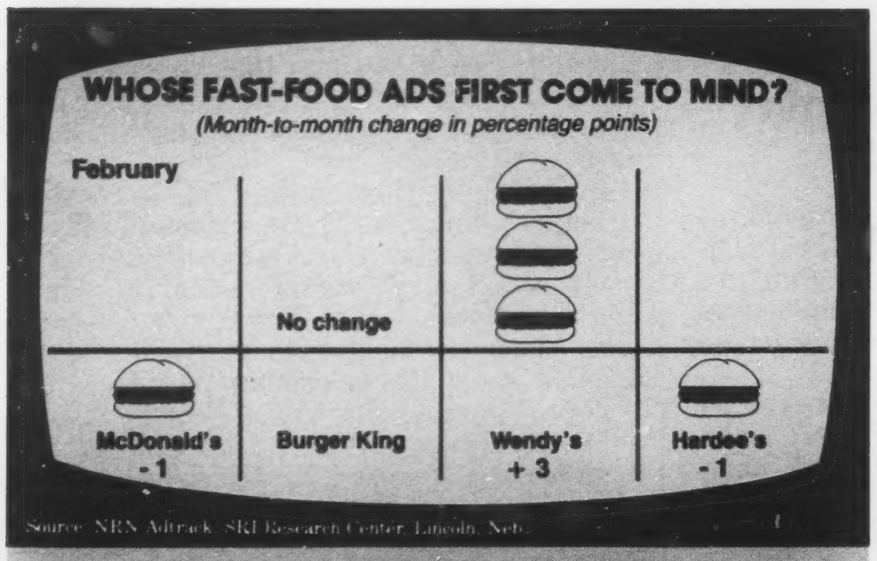
Operator	No. of units
JB's	107
Marriott Corp.	208
Total	315

REMAINING OPERATORS

Elias Bros.[1]	238
Frisch's	170
Marcus Corp.	106
Various others	85
Total	599

[1]Elias Bros. acquired Big Boy's franchising rights last fall from Marriott.

Source: Companies' reports.



Wendy's ads score big

Adtrack rating jumps 3 points

By Marilyn Alva

LINCOLN, Neb. — Wendy's advertising awareness levels among American consumers leaped three percentage points in February after the new "Hamburger A" commercials began airing on television, according to the latest NRN Adtrack poll.

NRN Adtrack

Wendy's was, in fact, the only top fast-food chain to score higher in February, when a random sample of 1,000 consumers were questioned by pollsters at SRI Research Center Inc. here. They were asked, "Of all the fast-food advertising that you have read, seen, or heard in the last month, which advertising first comes to mind?"

Wendy's 9-percent score was in marked contrast to January's 6-percent tally, which was only two points above Hardee's, which advertises only regionally. Hardee's, meanwhile, lost a point in February, to a low 3 points, two less than in December.

Burger King, which had not yet introduced its new "We Do It Like You'd Do It" campaign, posted no change from the previous-month figure, maintaining its 13-percent recall rate.

McDonald's kept its commanding lead, with a 43-percent recall rate, down a notch from January's figure, when it had inched up one point.

Also confirming the appeal of Wendy's new commercials was an NRN Adtrack screen test of a "Hamburger A" spot before a representative consumer group. The 30-second spot featuring a truck driver received a near-record rating for its appeal and clarity.

NRN's monthly Adtrack monitors unaided "top-of-mind" advertising awareness through telephone interviews across the country with adults older than 18.

Despite gains, Chicken Littles spark rift at KFC convention

By Richard Martin

LAS VEGAS, Nev. — More than 3,000 Kentucky Fried Chicken franchisees, convening here to plot growth strategies and celebrate KFC's market-share gains, still found a few bones to pick over last summer's controversial Chicken Littles minisandwich rollout.

Despite data cited by the Louisville, Ky.-based franchisor that show a substantial increase in the chain's lunch traffic, some operators voiced complaints about low or nonexistent Chicken Littles profit margins and high labor and equipment costs attached to the product.

Officials of KFC Corp., denying that the August rollout of the 39-cent sandwich had been problematic, said independent market trackers confirm that nearly 97 percent of Chicken Littles' sales are incremental.

KFC unveils ads in Las Vegas

KFC's new campaign focuses on human element using family-oriented themes.

Page 102

KFC said the minisandwiches have accounted for 7

*(See **KFC**, page 102)*

Big 4 in retreat

Drops plan to go national

By Carolyn Walkup

PHOENIX, Ariz. — Big 4 Restaurants Inc. is regrouping in an attempt to boost flat and declining sales, abandoning earlier goals of going national.

The company also recently lost two management contracts it had for all food and beverage service with the Scottsdale Hilton Hotel and with Crescent Hotels for its freestanding Harvey's Neighborhood Bar & Grill.

Representatives for both hotels said they wanted more control over the food-service operations. At Harvey's the hotel plans to replace the disco with dining space and market the faltering happy hour there, said Lori Fowler, vice president of public relations. The Hilton wanted more control over quality and service and found the management contract arrangement to be unprofitable, according to Margaret Mullen, sales and marketing director.

She noted that Big 4 had no previous experience in operating hotel banquet functions and room service. "It was a difficult position for it to be in," she said.

After several abortive attempts a few years ago to

*(See **BIG 4**, page 106)*

FOOD WATCH

Hot rock cooking

LOS ANGELES — Tabletop "hot rock" cuisine, an Alpine cooking technique from Germany and Italy, has dramatically boosted customer traffic in a hotel restaurant here.

Launched at the Century Plaza Hotel, the cook-it-yourself sensation is a large, flat, granite-type rock inserted in a stainless-steel frame, with optional sauce compartments and side dish holders. Preheated to retain its temperature of 500 degrees for up to an hour, the rock allows diners to tailor cooking times and service sequences to individual tastes.

"It works great for me," said Century Plaza executive chef Raimund Hofmeister, who began in-house promotions in January. "In only four weeks we doubled cover counts."

—Richard Martin

INSIDE NRN

News

FDA relaxes pork product labeling laws 12
Nathan's names Fazio franchise sales director 12
AMI: Safety of employees is top priority 14
Curious George celebrates birthday with party 14
Perdue taps Mabe chief executive of Perdue 18
Baum, Whiteman plan two-story Taipei complex ... 18
Student chefs put on dinner for STEP 20
Kraft offices now based in Deerfield 20
Taste of Vermont contest set for fall 22
Cuellar's Cafe names Wallis kitchen manager 22
Ramses II begets cafeteria, exhibit 31
Weathervane promotes three vice presidents 31
Recipe winners offered Frankfurt trip 32
Walgreen Co. taps three for promotions 80
Sebastiani proprietors to rename winery 80
Students plan alumni hotel for university 82
FTC supports states' repeal of freight law 91
Lawry's raises flag to celebrate anniversary 91

Focus

Section follows page 34
Sandwiches get light, smart F1, F9-F10
Bernstein/Decentralization: Prexy must call shots . F3
Rankin/Minimum-wage battle leaves no victors F4
Arby's accelerates sandwich blitz F9
Sandwiches lift traffic at Dunkin' Donuts F10
Beard Foundation pins star on Peterson F12
NRN entertains industry execs at COEX 88 .. F17,F19

Columns

Liddle/Cadillac, Chevy's battle it out 22
Edwards/Critics' licenses: a bad idea 31
Walkup/Sasha's deli changes aim at Midwest market 80
Hochstein/Qualities to aim for in a fine-wine list ... 82

Food

Fabricant/Steak au poivre sparks new dishes 7
Calorie-conscious crowd likes Diet Pizza concept .. 7
What's Hot/Cleveland 7

Marketing

Alva/Domino's strives to deliver service 11
Marketing Digest 11
Operators dive into television advertising in '87 ... 11

Financial

Hardee's claims 3d place in burger battle 104
Eating, drinking sales rebound in February 104
Financial Digests 104
Stock Table 105

Features

Correction 4
F.I.R.S.T. Instructions .20
Letters F3
Reporters' Journal ...F4
Name Game F4
Calendar of Events .....
.....F20-F36
New Products ..F28,75,78
Restaurant Openings .87
Book Digest 88

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Newsroom	285
Display advertising	404
Classified advertising	492
Subscription problems	419

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Vol. 22, No. 13 March 28, 1988

NEWS DIGEST

BK names new marketing vp in wake of reported ad flap

MIAMI — Amid reports of franchisee dissatisfaction with Burger King's new advertising campaign, the chain has tapped Anthony Lavely to succeed R.J. Trutz as executive vice president of marketing.

Trutz, who shepherded Burger King's much-ballyhooed change in advertising agencies last year, reportedly said he stepped down to pursue other opportunities at the chain. He is expected to sign on as a franchisee.

Lavely was previously president of Quik Wok, the near-dead Chinese fast-food chain that Burger King's parent, Pillsbury Co., has earmarked for divestiture.

Winners denies Spillman's request for financial data

BRENTWOOD, Tenn. — In a new move to stonewall a takeover by Dallas investor Francis Spillman, Winners Corp., the fast feeder here, has refused to provide Spillman with certain financial information he has demanded as a shareholder.

However, Winners, operator of the Mrs. Winner's chicken chain, said it has granted Spillman access to certain minutes of shareholder meetings.

Spillman has indicated that he would attempt to surmount Winners' resistance to a takeover by dealing directly with fellow stockholders. In-depth data about Winners' financial performance could strengthen Spillman's argument that a takeover would be in shareholders' best interests.

Marriott plans to add sports bars to hotels

BETHESDA, Md. — Marriott Corp. said it plans to outfit 12 to 18 of its hotels with franchised Champions sports-themed bar-restaurants as part of a larger franchise agreement with Champions Sports Inc.

Dunkin' founder Rosenberg retires after 38 years

RANDOLPH, Mass. — William Rosenberg, founder and chairman emeritus of the 1,800-unit Dunkin' Donuts chain, said at Dunkin's annual stockholders' meeting here that he was retiring after overseeing the company for 38 years.

Day-to-day operations will continue to be handled by Rosenberg's son, Robert, who retained his titles of chairman and chief executive. The elder Rosenberg, age 71, will serve Dunkin' part-time as a consultant, the company said.

Shareholders voted to give the senior Rosenberg, age 71, a one-time retirement payment of $1.3 million, and to pay him $70,000 annually for travel and other activities related to his consulting duties.

In 1950, William Rosenberg opened a roadside doughnut-and-coffee outlet in nearby Quincy. He parlayed that single unit into Dunkin' Donuts.

Pillsbury to sell Godfather's chain

MINNEAPOLIS — Amid rampant speculation that a hostile takeover of Pillsbury Co. is imminent, the giant food concern has confirmed that it plans to sell Godfather's Pizza and further prune its other restaurant chains, including Bennigan's.

Divestiture of the 580-unit Godfather's chain and selected Steak and Ale and Bennigan's restaurants is consistent with Pillsbury's newly concocted strategy of paring back its operations to focus more intently on core businesses.

Those operations include Burger King; S&A Restaurant Corp., operator of the Steak and Ale and Bennigan's chains; and a slew of frozen-food lines, such as Tortino's pizza and Green Giant vegetables.

The company has already agreed to sell its 16-unit Bay Street seafood restaurant chain to management.

A streamlined Pillsbury might be less enticing to such food conglomerates as Beatrice Cos., Nestle S.A., or Pepsico, which have all been rumored to be preparing a hostile takeover of Pillsbury.

Because of those unconfirmed reports, Pillsbury's stock price has bobbed from below $34 to more than $40. The company's stock was one of the most actively traded issues two weeks ago.

Pillsbury would not say what concerns are negotiating to buy Godfather's. Nor would it reveal the asking price.

Wall Street sources estimated that Godfather's, which is in the midst of a turnaround, would fetch $50 million to $100 million.

Wall Street observers said they did not know which concerns were interested in Godfather's. However, perhaps because Godfather's president Herman Cain has stated in past interviews that he someday hopes to own a restaurant business, unconfirmed reports of a management-led buyout have surfaced.

In confirming that it intended to sell Godfather's, ending months of speculation, Pillsbury also reportedly said for the first time that it would jettison weak units of the 200-unit Bennigan's chain. The company said early this year that Burger King and Steak and Ale would also be pruned.

For the third quarter ended Feb. 28, sales at Burger Kings open at least a year fell 2 percent from the results for the same period of the prior year. Steak and Ale and Bennigan's comparable-store sales fell 5 percent, the company said.

Overall, Pillsbury's restaurant group posted an operating loss of $113.1 million, which reflects a $144.2 million write-off for pending changes in the division.

PIllsbury reported a loss of $107.8 million for the quarter, compared with earnings of $48.5 million for the year-ago period, on revenues of $1.5 billion, down 2 percent.

Puck on an expansion drive

Unites with Kuleto, Kimpton to open San Francisco unit

SAN FRANCISCO — Renowned Los Angeles chef Wolfgang Puck has joined forces with San Francisco architect Pat Kuleto and hotelier Bill Kimpton to open a restaurant here.

The partners have targeted late 1988 as the opening date for the venture, which is to be housed in the renovated Cecil Hotel on Post Street. Kuleto said the restaurant would feature "four or five levels, open hotel-style kitchens, green house [areas], and outdoor gardens."

Kuleto also mentioned that the hotel might have "multiple food concepts," but he declined to comment further.

The trio would disclose neither the name of the restaurant nor the type of food it will feature.

Brewery-restaurant venture wins approval of city council

Puck

LOS ANGELES — Despite the objections of a neighborhood group and a City Council environmental committee, chef Wolfgang Puck and his partners in a proposed brewery-restaurant here have won the full council's approval for a permit for the 214-seat operation.

Los Angeles Brewing Co. partners Andrew Hoffman, Jerry Goldstein, and Puck, owner of Spago and Chinois and Main restaurants here, are now raising the remaining 50 percent of their capital budget for the combined microbrewery and "beer cuisine" restaurant.

Domino's strives to deliver service, not just fresh pizza

Just as I was about to write this week's column on the importance of service and morale to marketing, what looked like a Domino's pizza was delivered to my desk, personally, by the chief of our mail room. Here in Manhattan there are no Domino's pizza delivery outlets. The box was postmarked Ann Arbor, Mich. The man from the mailroom hovered

On Marketing

Marilyn Alva

around until I opened it just in case a "hot and fresh" pizza was inside.

It wasn't, of course, despite the unearthly propensities of the wizard Noid. Instead, a Domino's hot-off-the-press annual report was inside, along with a red, white, and blue puzzle that looked like a Domino's pizza box top. The annual report's title: "1987 was the year we worked hard to pull all the pieces together."

Those Domino's people know how to market themselves, not only to the general public but to the press and analysts as well. Annual reports, after all, are usually greeted with yawns or ignored. Yet from other parts of the office I heard comments about "pizza!" and "puzzle" as other editors opened their Domino's boxes as well. Last year the arrival of the fast feeder's annual report in the form of a grade school spiral loose-leaf notebook elicited similar interest.

I was going to explain how a chain can have the best marketing and advertising programs yet fail because of poor service, something that many restaurants are trying to improve through various motivation and morale programs. Then the Domino's report landed on my desk, reminding me how a chain like that, with a 30-minute delivery guarantee as the basis of its business concept, would be nowhere without good service and the employee morale necessary to achieve it.

Domino's has always been big on rousing its troops to frenzied states. Its training sessions are like high-school pep rallies.

In this new annual report, Domino's celebrates employees, who are featured throughout. Each is given space to comment on the delights of his or her job, from the receptionist at World Headquarters ("Occasionally someone will look at me and ask: 'OK. You like what you're doing. But what's your real ambition?' I tell them, this is it. I'm doing what I love.") to a franchisee in the field ("Even as a driver, I got caught up in the fun of it all . . . Customers want to buy pizza from happy, excited people.")

Yet chairman and founder Thomas S. Monaghan also took the occasion to bemoan one of the "big disappointments" of 1987, and that was the chain's failure to honor the 30-minute delivery guarantee 35 percent of the time, even though that was an improvement over the previous year. For Domino's, service *is* delivery, and Monaghan wrote that meeting the delivery guarantee time "'must be our biggest priority in 1988. Not fulfulling a promise is inexcusable."

Then Monaghan discussed controversial sidelines that he construes as promotional vehicles for Domino's as well as morale builders: the Detroit Tigers, the baseball team he owns; the final phases of the chain's "Prairie House" building; the future Domino's Towers, a New World version of the Leaning Tower of Pisa; and the chain's vast Frank Lloyd Wright Collection.

Expenditures for such projects have been criticized by some outsiders and insiders alike, who wonder what they might do to the bottom line.

But Monaghan remains committed. He said Domino's own Bugati Royale automobile, for example, quickly became the single-most-famous car in the world, thanks to publicity it generated at the Rose Bowl and on "The Johnny Carson Show." And he noted that Domino's Chistmas light display attracted more than half a million people to Domino's Farms.

Those Domino's people know how to market themselves, not only to the general public but to the press and analysts as well.

"And that doesn't include the approximately 9 million people who drove past it on US-23 and M-14," he further wrote. "There's no way they couldn't have noticed it."

As for a village improvement project in Central America, Monaghan said in his report, "I'm delighted at all the wonderful things Father Enrique is doing in Honduras with our financial backing."

It was a big year for Domino's. And for its founding chairman, who, according to the annual report, met the pope twice; became a grandfather for the first time; and celebrated his 25th wedding anniversary to Marge, who is pictured on the back inside cover, carrying a piece of the Domino's puzzle over a caption that says, "Chairman of the Chairman of the Board."

For his space in Domino's annual report, the Noid summed up the Monaghan school best: "If there's one thing I've learned from Tom Monaghan, it's optimism."

Restaurant operators dive full speed into television advertising during '87

By Marilyn Alva

NEW YORK — Restaurant chains plunged more money than ever before into television advertising last year, for a record-breaking sum of more than $1.3 billion, according to a report by the Television Bureau of Advertising here.

Total expenditures by the chains were up 10 percent from the preceding-year figure, although some, such as Kentucky Fried Chicken, Red Lobster, and Sizzler, had increases of as much as 30 percent or more.

Ranking of the leading top 10 fast-food television advertisers remained the same, with McDonald's retaining a commanding lead over all the others. The fast-food giant spent $362,582,700 on network and spot television last year, up 8 percent from the 1986 figure.

In contrast, second-biggest spender Burger King spent only $162,709,800 in 1987, down 2 percent from the year-before figure.

Third-ranked KFC upped its television advertising last year by 38 percent, for a total of $110,056,100. Other large gains were posted by Taco Bell, up 25 percent; Red Lobster, up 30 percent; Hardee's, up 35 percent; Roy Rogers, up 33 percent; and Sizzler, up 34 percent.

Fourth-leading spender Wendy's spent 2 percent less for the year, for a total of $79,188,800. Pizza Hut, in fifth place, spent $77,546,500 in 1987, a 9-percent increase from the prior-year figure.

LEADING TELEVISION ADVERTISERS

	1987 Total ($ millions)	Annual % Change
TOTAL	$1,311.9	10
McDonald's	352.6	8
Burger King	162.7	– 2
Kentucky Fried Chicken	110.1	38
Wendy's	79.2	– 2
Pizza Hut	77.5	9
Taco Bell	62.5	25
Red Lobster Inns	47.8	30
Domino's	41.0	22
Hardee's	39.9	35
Long John Silver's	29.4	1
Sizzler	21.4	34
Jack in the Box	19.3	21
Dairy Queen	17.0	6
Roy Rogers	13.3	33
Arby's	13.0	– 6

Source: Television Bureau of Advertising

Total TV-advertising expenditures by chains were up 10 percent from the preceding year, although some had increases of as much as 30 percent or more.

NRN MARKETING DIGEST

TCBY to launch national campaign

LITTLE ROCK, Ark. — TCBY, This Country's Best Yogurt, will launch its first national advertising television campaign in mid-April, sources at the frozen-yogurt chain said. The $8 million campaign by the Brooks Pollard agency here will feature TV personalities Ed McMahon and Willard Scott.

TCBY is the largest frozen-yogurt chain in the country, with more than 850 units in nearly every state. Previous spot television ads had featured Mickey Rooney under an umbrella "All the Pleasure. None of the Guilt" campaign.

Denny's Inc. drops ad agency

LA MIRADA, Calif. — The new owners of Denny's Inc., TW Services Inc., let go the dinner-house chain's longtime advertising agency, Foote, Cone & Belding.

Sources report that the Denny's account may go to D'Arcy Masius Benton & Bowles, which has been working for Spartan Food Systems, a subsidiary of TW Services. Spartan is Hardee's largest franchisee. Foote, Cone & Belding recently introduced a new "On the Road" campaign for Denny's.

Mazzio's hooks up with AHA

TULSA, Okla. — Mazzio's Pizza has introduced new print advertising tying in a "seal of approval" from the American Heart Association on select menu items.

The AHA approved Mazzio's cheese and vegetable pizzas, spaghetti, cheese lasagna, and salad bar items for appropriate nutrition, fat, and caloric content. Said Greg Lippert, vice president of marketing for the 280-unit Mazzio's, "This approval by the AHA shows Mazzio's Pizza fits into the nutrition plans of the consuming public."

Study shows strategy for steak houses

AUSTIN, Texas — A consumer research study by Martin & Martin Information Consultants reported that the two most effective advertising messages for steak houses were related to "good health" and "need for play." Examples: "Great athletes recommend this place" and "have a great time eating here."

For dinner houses the two strongest ad messages were found to be based on "achievement" and "recognition." Examples: "Reward yourself for your achievements—eat here," and "people will really respect you for eating here."

FOCUS | VIEWPOINT

Decentralization: prexy must call shots

Gearing up for a rapid expansion that could add 1,300 units to its current 2,700 within four years, Taco Bell has just dropped its six regional offices in favor of three broad-based divisions. The dominant taco chain hopes to subtantially widen its vast lead and stretch its $1.5 billion annual sales to $4 billion through new units and a projected per-store average rise from the current $550,000 annual sales to $1 million. Inflation and new menu items would be the main instruments of such a phenomenal advance if it happens.

Editor's Corner

Charles Bernstein

By the end of this decade, each of the three divisions is targeted to represent $1 billion in sales, and each would be divided into 11 separate zones, revealed George Hellick, recently promoted from Denver regional vice president to administration vice president of the new Santa Ana, Calif.-based Western division. The other two new division offices of the Santa Ana-based chain are a Chicago-based Northern division and an Atlanta-based Southern division.

This move ostensibly is a consolidation of field controls, but with the addition of numerous zone and area managers it is designed to further decentralize Taco Bell's structure.

It is in line, under a somewhat different framework, with the continuing decentralization of Taco Bell's sister chains, Pizza Hut and KFC, under parent Pepsico. The philosophy is to put more overhead, money, and strength into the field, including the broadening of responsibilities all the way to the unit manager level.

Everything makes lots of sense. It transfers some of the overhead from headquarters to the field and creates minidivisional offices duplicating some of the headquarters titles, such as administration, operations, marketing, real estate, and human resources vice presidents. The net effect is far more flexibility for local decisions in the field and localized menu variations within reason.

"At headquarters we create expense, not profit," observes David Bennett, president of the vastly expanded Cleveland-based Morgan's Foods franchise company (70 KFCs and 11 newly acquired Sizzlers) and former Chicago regional vice president for Taco Bell. "Only in the field are profits truly created and made, and that's where the main responsibilities should be."

A decade ago the subject of centralization vs. decentralization was still being vigorously debated within Burger King and other chains. But today it seems almost indisputable that the only way to handle rapid growth is to disperse the controls, as McDonald's had proved long ago.

No longer can the top executives of major chains personally visit or supervise myriads of units in the field. Instead, they have to transfer the responsibilities to the field through regions or divisions.

The ultimate example of the process is seen at Columbus, Ohio-based White Castle, where one is hard-pressed to find any headquarters executives. That is because only president Bill Ingram and a few vice presidents are stationed at the main office. Almost all the other executives and managers head various regions and areas.

White Castle's power, so very much in evidence in the field, is virtually non-existent at headquarters—much to Ingram's credit. In many ways this is a perfect setup in contrast to the often ego-driven bureaucracies still existing at all too many headquarters, despite their having been decentralized. Certainly, White Castle remains successful in its individual way.

Yet one must ask whether the latest decentralization programs of Taco Bell and other chains are realities or optical illusions. While in talk and theory the power is in the field, in actuality the true authority in so many of these cases still resides with headquarters.

In Taco Bell's situation, the number of separate regional offices has in effect been cut in half. Perhaps this is more efficient overall and permits heavier strength to be focused on each of the new consolidated divisions. It also means that the divisional focus is farther away from many of the units than under the six-region plan, although now more zone managers supervise units.

Nor should the president ever cede too much authority to the field in any decentralization. In essence, the ultimate power and responsibility must remain with him no matter what form the field organization takes. He must keep his fingers on the pulse even if he is unable to visit all the units personally.

It is a great idea to give credit to field people when things go well for a chain, but it is even wiser to take the blame when things go badly, without trying to make scapegoats out of field people, as too often occurs.

While decentralization and maximum control down to the point of one area or field manager for each five or six units is a smart investment, the chief executive officer cannot afford to cede responsibility for the whole field operation. He must have faith in his field supervisors without letting the arrangement dominate headquarters.

The key to success in today's chain operations is the orchestration of a fine-tuned blend between the chief executive and headquarters executives on the one hand and the field organization on the other.

LETTERS

Be it oil or food, both go better with good service

Editor, NRN:

The Nov. 23 issue of Nation's Restaurant News featured an Editor's Corner column entitled "Lube lesson: Price is right only with extra service."

In that article you said that someone from our company (I'm not sure who) was reported to have said: "This really is the same as the fast-food business. Get the customers in and out fast, provide quick but adequate service, and you've got a winning formula." I find it difficult to believe a quote using the word "adequate" came from one of our people.

Certainly we are concerned about getting people in and out fast, but all of our people are told over and over again that we are in the service business, not the oil business. We believe that we are a cut above above the others in providing service in an industry that is very much caught up in the hustle that you refer to in your article.

Our service starts when a customer drives up and we greet him with a complimentary copy of a USA Today newspaper. The copy has a label affixed to it, just as complimentary newspapers at many of the better hotels do, indicating that it is "Compliments of Oil Can Henry's." We also present the customer with a menu of our services and an indication of how long the wait will be, if there is any.

Furthermore, our oil change service includes a 20-point service check in which we check everything—the brake fluid, battery fluid, windshield washer fluid, transmission, power steering, lights, turn indicators, tire air pressure, and more. I am certain you will not find a more thorough check and service with an oil change anywhere else in the country.

In addition, our customers wait in their own cars as the service is being performed and are able to watch the service both underneath the car and underneath the hood by closed circuit TV monitors.

Yes, we have hired a number of former fast-food executives, and the reason they have joined us is that they believe that our service is unique to the industry and in line with their earlier training in the food-service business.

I agree with the theme of your article entirely. It is not hustle, it is not price, but service that the customer wants whether he is seeking food or oil changes. The customer of today wants service.

—Marshall A. Stevens
president
Oil Can Henry's Corp.
Portland, Ore.

Rally's president shares thoughts on Hardee's

Editor, NRN:

Your Dec. 14 Focus section on Hardee's was excellent.

I began my fast-food career at Hardee's and for more than a decade had the privilege of being one of the people to whom Hardee's chairman, Jack Laughery, was mentor. It was a rich, rewarding, and enjoyable experience that has aided me immeasurably over the years.

The only short suits I ever knew Jack to have were the ones in his closet before he started having his suits made.

Although we haven't worked together for the past four years, I think of Jack's point of view often in my daily decision making and value our years together.

—Richard F. Sherman
president, ceo
Rally's Inc.
Louisville, Ky.

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